

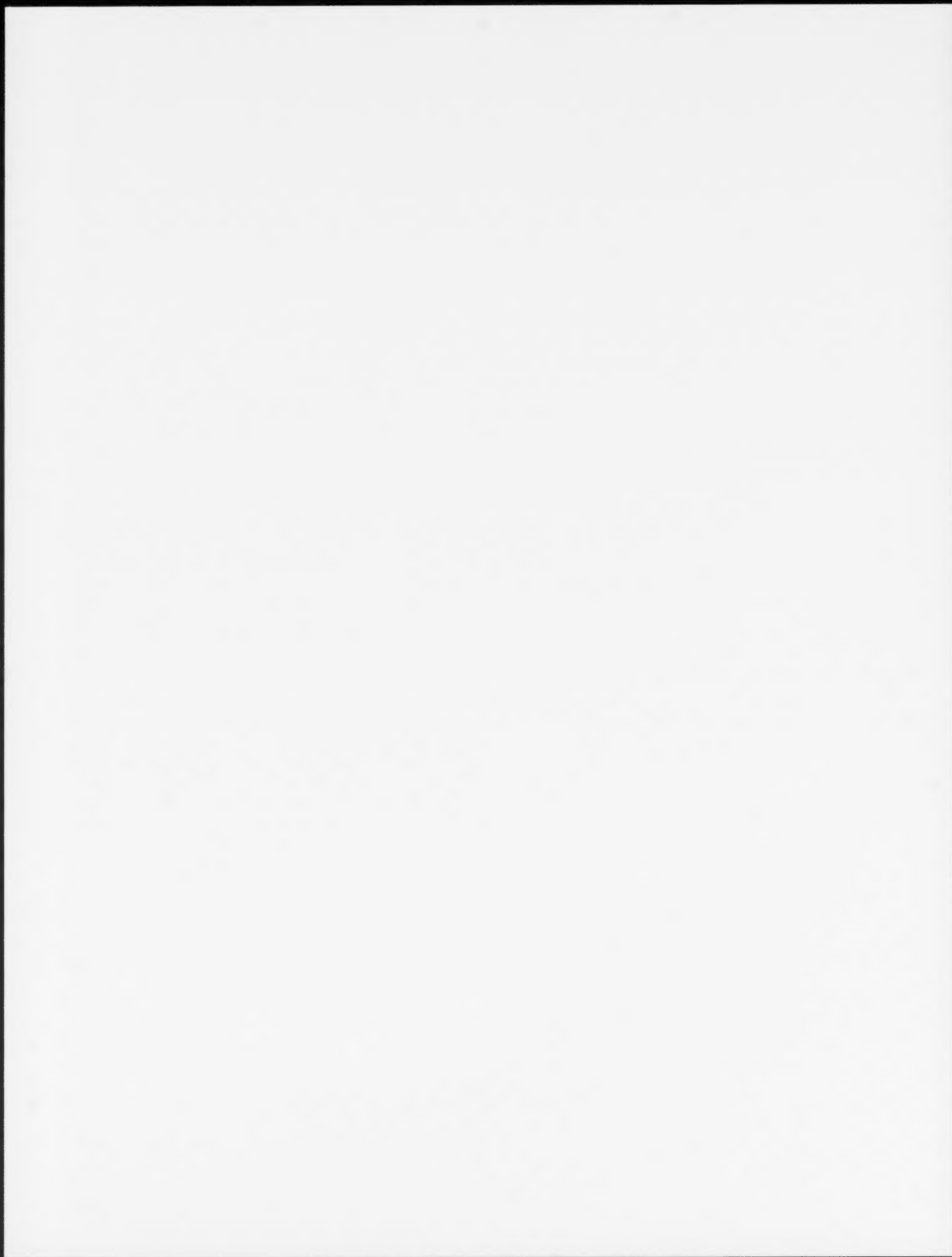
A subsidiary of SaskPower

NorthPoint Energy Solutions Inc.

Financial statements 2012



NorthPoint



Report of Management

The financial statements of NorthPoint Energy Solutions Inc. (NorthPoint) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 25, 2013.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate, and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the NorthPoint Board of Directors.

The NorthPoint Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings, the Board reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the independent auditor's report have been approved by the NorthPoint Board of Directors. The internal and external auditors have full and open access to the NorthPoint Board of Directors, with and without the presence of management.

The financial statements have been examined by Deloitte LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards.

On behalf of management,



Guy Bruce
President & Chief Executive Officer
February 25, 2013



Troy King
Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of NorthPoint Energy Solutions Inc., which comprise the statement of financial position as at December 31, 2012, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

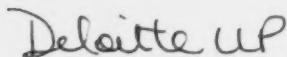
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NorthPoint Energy Solutions Inc. as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

February 25, 2013
Regina, Saskatchewan

Statement of income

(in thousands)

For the year ended December 31	2012	2011
Revenue		
Net sales from electricity trading (Note 4)	\$ 14,340	\$ 13,602
SaskPower services (Note 1)	-	7,814
Other revenue	-	256
	14,340	21,672
Expense		
Administration (Note 1)	2,081	7,933
	2,081	7,933
Income before the following	12,259	13,739
Unrealized market value gains (losses) (Note 5)	(4,465)	7,236
Net income	\$ 7,794	\$ 20,975

See accompanying notes

Statement of comprehensive income

(in thousands)

For the year ended December 31	2012	2011
Net income	\$ 7,794	\$ 20,975
Other comprehensive income	-	-
Total comprehensive income	\$ 7,794	\$ 20,975

See accompanying notes

Statement of financial position

(in thousands)

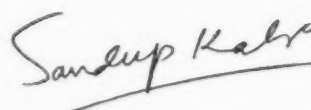
As at December 31	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 15,527	\$ 32,538
Accounts receivable	15,904	6,637
Prepaid expenses and deposits	543	1,060
Due from SaskPower	366	-
Risk management assets (Note 5)	22	5,891
Total assets	\$ 32,362	\$ 46,126
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,356	\$ 5,332
Due to SaskPower	-	1,301
Dividend payable	5,527	18,877
Risk management liabilities (Note 5)	-	1,404
Total liabilities	10,883	26,914
Equity		
Share capital	10,000	10,000
Retained earnings	11,479	9,212
Total equity	21,479	19,212
Total liabilities and equity	\$ 32,362	\$ 46,126

See accompanying notes

On behalf of the NorthPoint Board:



Robert Watson
Chair



Sandeep Kalra
Director

Statement of changes in equity

(in thousands)

	# of Class A Shares ¹	Share capital	Retained earnings	Total
Equity				
Balance, January 1, 2011	10,000	\$ 10,000	\$ 7,114	\$ 17,114
Comprehensive income	-	-	20,975	20,975
Dividends	-	-	(18,877)	(18,877)
Balance, December 31, 2011	10,000	\$ 10,000	\$ 9,212	\$ 19,212
Comprehensive income	-	-	7,794	7,794
Dividends	-	-	(5,527)	(5,527)
Balance, December 31, 2012	10,000	\$ 10,000	\$ 11,479	\$ 21,479

1. Unlimited Class A non-cumulative, voting common shares authorized. All shares are held by the parent corporation, Saskatchewan Power Corporation.

See accompanying notes

Statement of cash flows

(in thousands)

For the year ended December 31	2012	2011
Operating activities		
Net income	\$ 7,794	\$ 20,975
Add (deduct) items not involving cash:		
Unrealized market value losses (gains)	4,465	(7,236)
	12,259	13,739
Net change in non-cash working capital:		
Accounts receivable	(9,267)	(1,502)
Prepaid expenses and deposits	517	(94)
Due from/to SaskPower	(1,667)	721
Accounts payable and accrued liabilities	24	(1,259)
	(10,393)	(2,134)
Cash provided by operating activities	1,866	11,605
Financing activities		
Dividends paid	(18,877)	-
Cash used in financing activities	(18,877)	-
(Decrease) increase in cash	(17,011)	11,605
Cash and cash equivalents, beginning of year	32,538	20,933
Cash and cash equivalents, end of year	\$ 15,527	\$ 32,538

See accompanying notes

Notes to the financial statements

1. Description of business

NorthPoint Energy Solutions Inc. (NorthPoint; the Corporation) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a marketer of wholesale electricity products and services. The office is located on the 18th Floor, 1920 Broad Street in Regina, Saskatchewan, Canada, S4P 3V2. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), which is a subsidiary of Crown Investments Corporation (CIC) of Saskatchewan. Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower and CIC.

Prior to 2012, NorthPoint had a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower, to coordinate utility generation output, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. NorthPoint received a commission and management fee for the performance of these services, which was recognized as earned and included in SaskPower services revenue. NorthPoint was also responsible for all administrative costs incurred, including salaries and benefits. Effective January 1, 2012, the commission and management fees were eliminated and all administrative costs related to these activities are now recognized directly as SaskPower expenses. NorthPoint continues to be responsible for proprietary trading activities. As such, the electricity trading transactions that do not relate to the generation assets of SaskPower are reflected in these financial statements.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal or provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the NorthPoint Board of Directors on February 25, 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments that are accounted for according to the financial instrument categories defined in Note 3(d).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and related notes:

- Fair value of financial instruments [Notes: 3(d) and 5].

Notes to the financial statements

(e) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, which may impact NorthPoint are not yet effective for the period ended December 31, 2012, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* and IFRS 7, *Disclosures*

On December 16, 2011, the IASB issued amendments to IAS 32 and IFRS 7 as part of its offsetting project. The amendments clarify certain items regarding offsetting financial assets and financial liabilities and also address common disclosure requirements. The amendments are to be applied retrospectively and will be effective for annual periods beginning on or after January 1, 2013, for IFRS 7 and January 1, 2014, for IAS 32. NorthPoint has reviewed the new standards and determined the adoption of the amendments to IFRS 7 and IAS 32 will have no material impact on its financial statements.

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the International Accounting Standards Board (IASB) on November 12, 2009, and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within net income. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2015. NorthPoint is reviewing the standard to determine the potential impact, if any, on its financial statements. The Corporation does not have any plans to early adopt the new standards.

IFRS 13, *Fair Value Measurement*

IFRS 13 was issued by the IASB on May 12, 2011. IFRS 13 defines fair value, sets out a framework for measuring it and introduces consistent requirements for disclosures on fair value measurements. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2013. NorthPoint has reviewed the new standards and determined the adoption of IFRS 13 will have no material impact on its financial statements. The new disclosure requirements will be provided in the 2013 financial statements.

3. Significant accounting policies

(a) Revenue recognition

NorthPoint engages in wholesale electricity trading transactions, which include both physical and financial electricity trading activities. Electricity trading revenue is recorded on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value (*Note 4*).

(b) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in profit or loss in the period in which they arise.

Notes to the financial statements

(c) Cash and cash equivalents

Cash and cash equivalents include short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(d) Financial instruments

(i) Classification and measurement

NorthPoint classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities (*Note 5*). All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as fair value through profit or loss, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of income in unrealized market value adjustments. Financial instruments classified as held-to-maturity; loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

Derivative financial instruments are utilized by NorthPoint as part of its electricity trading activities. All derivative contracts are recognized as a financial asset or a financial liability on the trade date. NorthPoint has chosen not to designate its derivative instruments as hedges. As such, all derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the statement of income in unrealized market value adjustments.

(ii) Embedded derivatives

As at December 31, 2012, NorthPoint does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

(iii) Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. NorthPoint's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 (*Note 5*) as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Electricity trading contract fair values were determined using independent pricing information from external market providers.

Level 3 – Fair values were determined based on inputs for the asset or liability that are not based on observable market data.

Notes to the financial statements

4. Net sales from electricity trading

<i>(in thousands)</i>	2012	2011
Electricity trading revenue	\$ 28,865	\$ 41,479
Electricity trading costs	(14,525)	(27,877)
	\$ 14,340	\$ 13,602

5. Financial instruments

<i>(in thousands)</i>	Classification ⁴	Level ⁵	December 31, 2012		December 31, 2011	
			Asset (liability)		Asset (liability)	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments						
Financial assets						
Cash and cash equivalents	FVTPL ¹	1	\$ 15,527	\$ 15,527	\$ 32,538	\$ 32,538
Accounts receivable	L&R ²	N/A	15,904	15,904	6,637	6,637
Due from SaskPower	L&R ²	N/A	366	366	-	-
Financial liabilities						
Accounts payable and accrued liabilities	OL ³	N/A	\$ (5,356)	\$ (5,356)	\$ (5,332)	\$ (5,332)
Due to SaskPower	OL ³	N/A	-	-	(1,301)	(1,301)
Dividend payable	OL ³	N/A	(5,527)	(5,527)	(18,877)	(18,877)

Risk management assets and liabilities

The following summarizes the classification and fair values of NorthPoint's risk management activities:

<i>(in thousands)</i>	Classification ⁴	Level ⁵	December 31, 2012		December 31, 2011		2012 Market value
			Asset	Liability	Asset	Liability	gains (losses)
Electricity trading contracts							
Contracts for differences	FVTPL ¹	2	\$ 22	\$ -	\$ 5,891	\$ (1,404)	\$ (4,465)
Forward agreements	FVTPL ¹	2	-	-	-	-	-
			\$ 22	\$ -	\$ 5,891	\$ (1,404)	\$ (4,465)

1. FVTPL – Fair value through profit or loss.

2. L&R – Loans and receivables.

3. OL – Other liabilities.

4. The Corporation has not classified any of its financial instruments as held-to-maturity.

5. Fair values are determined using a fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments – including accounts receivable; due to (from) SaskPower; accounts payable and accrued liabilities; and dividends payable – are carried at values which approximate fair value due to the short period to maturity.

Notes to the financial statements

6. Financial risk management

Market risk

(a) Commodity prices

Electricity trading contracts

NorthPoint is exposed to electricity price risk on its electricity trading activities. NorthPoint has a Risk Management Manual which governs the commodity transactions undertaken in its proprietary trading business. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is a commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of NorthPoint's proprietary portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. NorthPoint recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review.

At December 31, 2012, the VaR associated with NorthPoint's proprietary trading activities was \$28 thousand (2011 – \$736 thousand).

(b) Foreign exchange rates

By virtue of its operations, NorthPoint is exposed to changes in the United States/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the United States market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint's sensitivity to changes in the United States dollar is immaterial and, therefore, a sensitivity analysis of the impact on profit or loss has not been provided.

Notes to the financial statements

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

NorthPoint maintains strict credit policies and limits in respect to counterparties, including regional transmission operators. The maximum credit risk to which NorthPoint is exposed is limited to the fair value of the financial assets recognized as follows:

<i>(in thousands)</i>	December 31, 2012	December 31, 2011
Financial assets		
Cash and cash equivalents	\$ 15,527	\$ 32,538
Accounts receivable	15,904	6,637
Due from SaskPower	366	-
Risk management assets	22	5,891
	\$ 31,819	\$ 45,066

- (a) For the year ended December 31, 2012, sales to two significant customers comprised 90% (2011 – three significant customers comprised 99%) of electricity trading revenue. At year-end, receivables from three customers comprised 99% (2011 – three customers comprised 97%) of total outstanding receivables. These amounts have been subsequently received.
- (b) NorthPoint is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. NorthPoint maintains Board-approved credit policies and limits in respect to its counterparties.

Liquidity risk

Liquidity risk is the risk that NorthPoint is unable to meet its financial commitments as they become due or can do so only at excessive cost. NorthPoint manages cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of NorthPoint's financial liabilities at December 31, 2012:

<i>(in thousands)</i>	Contractual cash flows						
Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 5,356	\$ 5,356	\$ 5,356	\$ -	\$ -	\$ -	\$ -
Dividend payable	5,527	5,527	5,527	-	-	-	-
	\$ 10,883	\$ 10,883	\$ 10,883	\$ -	\$ -	\$ -	\$ -

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

7. Capital management

NorthPoint's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies for the Corporation. NorthPoint receives its long-term capital funding primarily from SaskPower.

NorthPoint's capital structure as at December 31, 2012, consists of share capital of \$10 million (2011 – \$10 million) and retained earnings of \$11.5 million (2011 – \$9.2 million).

Notes to the financial statements

8. Commitments and contingencies

NorthPoint has issued letters of credit in the amount of \$847 thousand (2011 – \$860 thousand) to certain counterparties under contractual arrangements. If NorthPoint does not pay amounts due under such contracts, the counterparty may present its claim for payment to the financial institution through which the letter of credit was issued. Any amounts owed by NorthPoint are reflected in the statement of financial position. The letters of credit do not contain recourse provisions nor does NorthPoint hold any assets as collateral against the guarantees issued. All letters of credit expire within one year and are expected to be renewed, as needed, through the normal course of business. During 2012, no amounts (2011 – nil) have been exercised by third parties under these arrangements.

9. Related party transactions

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Included in prepaid expenses and deposits are certain costs related to NorthPoint's occupancy of space leased by SaskPower. The costs of \$457 thousand are being amortized over a five year period, being the term of the SaskPower lease. The carrying value at December 31, 2012, is \$23 thousand.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

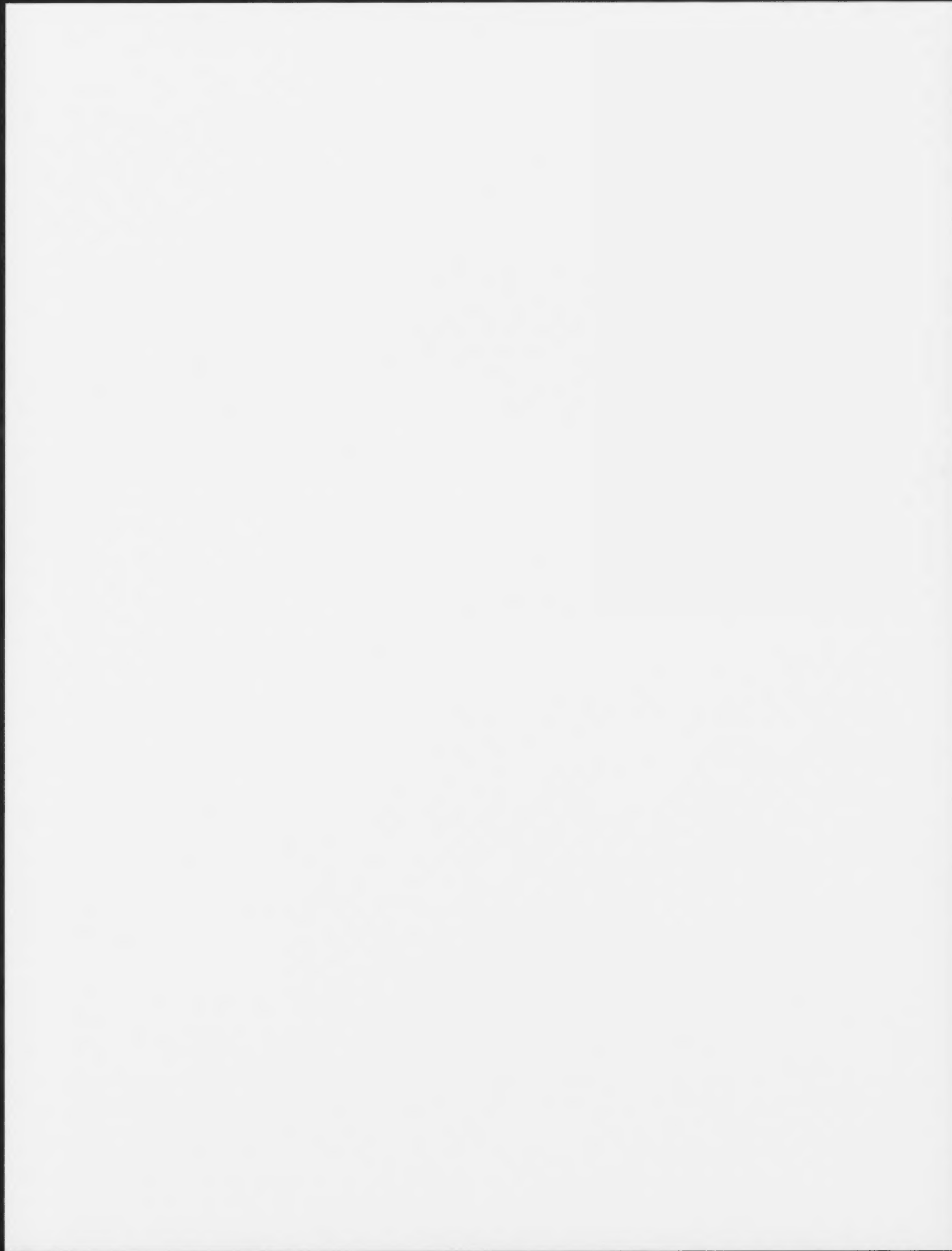
<i>(in thousands)</i>	2012	2011
SaskPower services revenue ¹	\$ -	\$ 7,814
Electricity trading costs	21	303
Administration expense ¹	2,081	6,729
Due (from) to SaskPower	(366)	1,301
Dividends payable	5,527	18,877

1. As discussed in Note 1, effective January 1, 2012, the service agreement with SaskPower was amended. As a result, the commission and management fees recognized as SaskPower services revenue were eliminated and SaskPower is responsible for all administrative costs, including salaries and benefits. SaskPower charges NorthPoint an administration fee related to proprietary trading activities.

In addition, NorthPoint pays Saskatchewan provincial sales tax on all its taxable purchases to the Government of Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

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